

Grant Agreement Modifications

Section XIV of Attachment A: Grant Agreement Terms and Conditions contains guidelines for budget modifications. Generally speaking, grantees may move funds budgeted in one approved GAAP category to another approved GAAP category **without DOE approval** when:

- the transfer of funds **does not** result in a change in the **scope of work** (scope of work means program changes representing a significant departure from the originally approved project under the grant agreement);
- the **cumulative** amount of all transfers **does not exceed** ten (10%) percent of the total grant agreement amount, or \$10,000 whichever is **less**.
- the funds **are not** transferred to or from a **restricted line item** such as **subgrants or indirect costs**;

➡ **IMPORTANT NOTE:** The **subgrantee** is subject to the **same terms and conditions** (see Part One) as the grantee, and is responsible to you for the agreed upon scope of work (approved goals, objectives and activities), and the expenditure of subgrant funds. Any changes (program or fiscal) requested by a subgrantee must be reviewed by the grantee. If they require DOE approval and you support the changes, forward them to the DOE for review. **As the grantee, you do not have the authority to approve for subgrantees any changes in their project activities, any budget variances or any other changes that require prior approval by the DOE.**
- the funds are transferred to a **previously approved line item**. (Grantees may not move funds to an unbudgeted line item without **written DOE approval**);
- the transferred funds will not be used for expenditures that are specifically disallowed by the language in the NGO document, the applicable OMB Cost Principles Circular and the grant agreement. *Expenditure for costs disallowed by the NGO, the grant agreement and/or the applicable OMB Cost Principles Circular by the DOE will be subject to monitoring and/or audit findings*; and

You may find it necessary to request changes to your final approved grant application. When this occurs, you need to obtain **written approval from the DOE**. This formal DOE process is called a *grant agreement modification*.

➡ **IMPORTANT NOTE:** All requests for a grant agreement modification must be **received** by the Application Control Center a minimum of **90 days prior** to the end date of the grant agreement.

Example: If your grant agreement ends 8/31/01, any grant agreement modification request must be received by the ACC no later than 6/1/01.

To assist in determining when DOE approval is required, a checklist called “Do I Need Department Approval? Is contained in the Appendix.

Equipment: Grantees are limited to the *specific equipment items* listed in the final approved grant application budget. To comply with federal requirements, all equipment purchases require prior DOE approval. **You can pay more or less than the approved amount but the approved equipment item cannot be changed without permission. (i.e., no additions, deletions or substitutions to the approved equipment list).**

The examples below are provided as a guide to understanding equipment flexibility.

Example 1: *A grantee budgets \$9,000 for three computers at \$3,000 each. The grantee later finds that it can purchase four computers at \$2,250 each. The grantee cannot purchase the fourth computer without prior DOE approval, even though funds are available.*

Example 2: *A grantee budgets \$6,000 for two automobile diagnostic computers at \$3,000 each. The grantee later finds that the total purchase price of the two computers will be \$7,000, or \$3,500 each. The grantee may purchase the two APPROVED computers without prior DOE approval. The additional funds would need to be identified as local, in-kind or transferred from an approved, under-expended line. The “over-expenditure” in the equipment line (and all other budget variances) must stay within the grant agreement threshold limit (10% or \$10,000, whichever is lower). If this purchase will result in a cumulative budget transfer in excess of the grant agreement threshold limit, then the grantee must request prior approval. **(Please note that there has not been a change to the specific approved equipment.)***

Example 3: *If the approved equipment in the example above was approved at \$9,000 and purchased for \$8,000, the difference could be transferred to another approved line item without DOE approval.*

Example 4: *A grantee does not budget for the purchase of equipment and wishes to purchase equipment. If the equipment costs are allowable under the NGO the grantee must obtain prior DOE approval for the purchase, regardless of whether the costs involved are under the threshold limit for the grant.*

Constructing a Grant Agreement Modification Request

The grant agreement modification process requires substantial programmatic and fiscal review by the DOE. If a grant agreement modification request is not submitted directly to the ACC, under the signature of the CSA/CEO, or does not contain the necessary information to complete

the review, it will be returned and may not be considered.

The basic components of a well-constructed grant agreement modification request include the following: *(Consider using the headings below to organize your modification request.)*

- **The reason for the change:** A compelling programmatic justification and rationale for the need for the requested change which must be in keeping with the intent, goals, and objectives of the NGO, the project application and grant agreement. As the agent of the governing board, the CSA/CEO signature provides assurance both that *the modification is necessary and that it will directly benefit the grant*. An authorizing board resolution will also be required if there will be formal changes to the grant agreement. *(DOE will notify you when this is required.)*
- **The impact on the project:** The impact, if any, on the project's goals and objectives due to the proposed changes must be identified. The DOE may also require a modified activity plan form. If so, affected final approved grant application pages must be submitted, marked with the changes and dated.
- **A description of what is changing:** If budget changes are necessary, the request must include revised budget detail forms with revisions clearly marked, including project activity links using goal and objective numbers. Again, you must justify **all decreases as well as increases** to budget line items. **The Chief financial officer must certify budget revisions** through his/her signature.

Modification Forms (the required Budget Modification Request Worksheet and optional checklists) are available on the web and must be used when submitting a grant agreement modification request. In addition, the grant agreement (page 6) contains a copy of the required Budget Modification Request Worksheet)

➔ **IMPORTANT NOTE:** The grantee may not implement changes to the grant agreement until it receives official written notification of approval by DOE. Any changes enacted prior to notification of approval may be disallowed or may become the object of an audit finding, and are done so at the grantee's own risk. Receipt and review of a grant agreement modification request by the DOE does not imply or indicate pending approval. **Approval of a grant agreement modification is dependent upon a justifiable programmatic and/or fiscal need that will be of direct benefit to the project and that is permissible under the established NGO parameters.** Be sure to review the approved modification. In some cases, partial approval may be granted or the DOE may have changed some budget information during the review /approval process.

Common Problems With Grant Agreement Modification Requests

- ***Lack of detail as to the need for, and nature and substance of the request.*** A common problem with grantee modification requests is the lack of detail (programmatic, budgetary,

etc.) sufficient to enable DOE staff to evaluate the merits of the request. Requests that do not have a compelling programmatic rationale and justification, are not well thought out, or lack adequate detail are very time-consuming to review and process, as the program officer may be required to contact the grantee several times to obtain the needed information.

*As a general rule of thumb, the degree of cost detail that a grantee needs to provide in a modification request is the same level of detail that is required on the budget detail forms in the final approved grant application. **The use of the approved Budget Detail forms to show requested revisions will facilitate the review of your request. You can mark copies of the forms “revised” and make changes directly on the forms.***

➡ **IMPORTANT NOTE:** Do not submit a request for a grant agreement modification merely to spend unexpended balances. This reason is not considered adequate or justified and will be automatically denied by the DOE.

- ***Modifications submitted towards the end of the grant project.*** Per Attachment A: Grant Agreement Terms and Conditions, no request for modifications will be reviewed if it is submitted to the DOE within 90 days of the grant agreement end date. As a general rule, any requests for grant agreement modification(s) should be submitted to the DOE as soon as the need for a modification becomes known. The sooner the request is submitted the sooner it can be evaluated and, ***if approved***, the sooner the project will benefit.
- ***Lack of response from grantees to requests for information.*** A major source of concern is that some grantees have not been responsive to requests from the program officer for additional information. While some problems may arise, (*e.g., key people may not be readily available especially during the summer months*), we recommend strongly that the grantee designate someone to act as a contact person for all grant agreement modification requests (*usually the project director*). This person should be able to respond to any requests for information from the program officer during the time that the request is pending.

If a grantee should decide not to pursue a previously submitted request before a decision has been made, the grantee should send a letter (to the same address to which the original request was sent) withdrawing the request so that the request can be removed from consideration.

- ***Grantee revising modification requests during administrative review.*** Additional information required to review the modification request will be solicited by the program officer. Grantees should respond with **only** the information that the program officer has requested. Unsolicited information unrelated to the information requested will not be considered.

Example:** A grantee submits a request to move \$2,000 from travel to instructional supplies, but provides no cost detail in the original request. The program officer requests cost detail on the instructional supplies to be purchased. The grantee provides cost detail on \$2,000 of instructional supplies. Furthermore, the grantee indicates that it also wants to reallocate \$1,500 from purchased services into staff salaries. **The request to move

funds from purchased services into staff salaries will automatically be denied by the DOE, as it was a change not solicited by the program officer.

- **Mathematical errors.** Mathematical errors will compromise your request. Please always check your math, as accuracy is essential. Your numbers must add up. **Also, remember to round all figures to the nearest dollar.**
 - **Circumventing NGO guidelines.** The restrictions on allowable and non-allowable uses of funds in the NGO document are firm. Grantees are strongly advised to review their proposed modification request against the NGO guidelines, and not to submit any modification requests that are in clear violation of the NGO guidelines. If a modification request is found to be in violation of the NGO guidelines, the DOE will automatically deny the request.
 - **Wrong budget.** Sending a grant agreement modification request based on a budget that is not the **final approved budget** will delay your review. If you have had previous budget modifications approved by the DOE, be sure you are working with the most current DOE approved budget.
- ➔ **IMPORTANT NOTE:** The department strongly suggests that your business administrator/chief financial officer review your request prior to submission.
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Submitting Grant Agreement Modification Requests

The submitted grant modification request must include the following:

I. Correspondence:

1. NGO title and grant agreement number (note: grant agreement number can be found in upper right-hand corner of all grant agreement pages)
2. Cover letter from the chief school administrator/chief executive officer that provides a compelling programmatic rationale for the modification
3. Justification for project changes, budgetary **decreases as well as increases**
4. Signature of the school business administrator for budget modifications [SBA signs in upper left-hand corner of Budget Modification Request Worksheet]

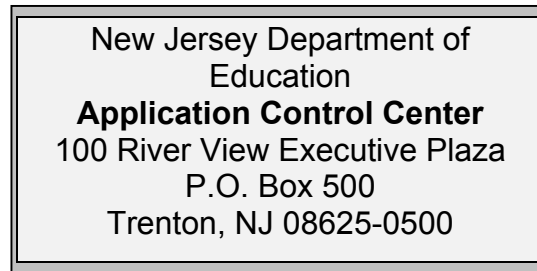
II. Budget Modification Request Worksheet

1. Budget Modification Request Worksheet (reflects approved budget, proposed plus and minus changes and proposed revised budget). Available on this web site and as page 6 of grant agreement or in the appendix.

III. Revised Budget Detail and Project Activity Forms

1. Applicable grant agreement approved budget form(s), budget forms A through F, indicating the proposed revisions and accompanying budget detail.
2. A revised "Project Activity Plan" (mandatory if there are changes to project goals, objectives and/or activities.)

Requests for grant agreement modifications are to be sent to:



➔ **IMPORTANT NOTE:** All requests for grant agreement modifications must contain the grantee identification information (see Part One).

Once the Application Control Center has received the request, staff review it for completeness in accordance with the guidelines contained in the grant agreement modification packet (see Appendix). If it is incomplete, it will be returned to you. If it contains the necessary information, copies are immediately forwarded to the program officer for review.

The program officer will make a recommendation either to proceed with the modification request or deny the request. If multiple actions are requested, an item by item recommendation is made. If the recommendation is to proceed, the request and recommendation are forwarded for final review. The Application Control Center notifies the grantee in writing of the DOE's decision and requests an authorizing resolution from the agency.

Examples of Good Grant Agreement Modification Requests

The following are examples of requests with acceptable level of detail:

Example #1

<u>Item</u>	<u>Original Amount</u>	<u>Revised Amount</u>	<u>Amount of Change</u>
200-580	\$2,825	\$5,750	+ \$2,925
200-600	\$2,925	\$0	-\$2,925

The reason for the requested revision(s) is:

Although registration fees for the annual Parents as Teachers summer conference were included in the original grant budget, transportation, hotel, and meal costs were inadvertently omitted. Supplies originally budgeted to the grant for the office is being paid for by the agency, making a total of \$2,925 available.

<i>RT Airfare, Philadelphia to St. Louis - \$360 X 2 persons</i>	<i>\$720</i>
<i>Hotel costs - \$85 X 4 nights</i>	<i>340</i>
<i>Meals - \$40/day X 4 days X 2 persons</i>	<i><u>320</u></i>
<i>TOTAL</i>	<i>\$1,380</i>

Two staff members are in need of Parents as Teachers training for the 0-3 years age group. In the past, this training has been offered in Newark, Delaware, keeping transportation costs at a minimum. This year, the training is not being offered within a reasonable distance and will mean that airfare, hotel and meal costs must be added to the original budgeted amounts. These are as follows:

<i>RT Airfare, Philadelphia to St. Louis - \$360 X 2 persons</i>	<i>\$720</i>
<i>Hotel costs - \$85 X 5 nights (double occupancy)</i>	<i>425</i>
<i>Meals - \$40/day X 5 days X 2 persons</i>	<i><u>400</u></i>
<i>TOTAL</i>	<i>\$1,545</i>

The requested revision will result in the following change(s) (if any) of the approved activity plan.

No change

Example #2

<u>Item</u>	<u>Original Amount</u>	<u>Revised Amount</u>	<u>Amount of Change</u>
200-500	\$1,045	\$2,434	+ \$1,389
200-580	\$4,000	\$2,611	- \$1,389

The reason for the requested change(s)

\$1,390 in funds budgeted for staff travel will not be needed since these positions were filled late. The budget was originally prepared using a calculation figure of 25 families as a target maximum enrollment. When the grant request was approved, the project was asked to instead target 35 families for participation. This number has been achieved, resulting in greater than expected numbers of participants in professional development training.

<i>Fee for 10 additional participants @ \$113.10 each</i>	
<i>TOTAL</i>	<i>\$1,131</i>

Another unforeseen expense has been the payment of GED fees to the state for participants who are ready to take the exam. Six enrollees have taken the exam already this year, and it is anticipated that four more may take it prior to the end of the year.

\$258

The project will pay the GED test fees for any participant who has been pre-tested by adult education staff and determined to be ready for the examination (GOAL: To provide literacy training for parents). The project will also add an additional 10 participants to the professional development activity.

<u><i>Item</i></u>	<u><i>Original Amount</i></u>	<u><i>Revised Amount</i></u>	<u><i>Amount of Change</i></u>
100-600	\$2,185	\$4,341	+ \$2,150
400-731	\$10,500	\$8,344	- \$2,150

Due to a price reduction for computers, there is a surplus of funds in 400-731 in the amount of \$2,156. Because the scheduling of additional staff to be trained during the summer, money for materials and supplies are needed.

TOTAL **\$2,150**

No Change.

<u><i>Item</i></u>	<u><i>Original Amount</i></u>	<u><i>Revised Amount</i></u>	<u><i>Amount of Change</i></u>
100-100	22,500	25,000	+\$2,500
200-200	\$7,700	\$7,943	+\$243
200-300	\$15,000	\$13,000	-\$2,000
200-600	\$1,000	\$257	-\$743

Due to increasing enrollment for our summer project, it has become necessary to increase the number of teachers to provide the instructional content of the project.

1 teacher X \$25/hour X 100 hours = \$2,500

$$\$2,500 \times 7.65\% \text{ FICA} = \$191 + 2.09\% \text{ TPAF} = \$52. \text{ TOTAL} = \$243.$$

Workshop presenters \$2,000 and workshop supplies \$743 will be assumed by the agency as agency-funded costs.

The requested revision(s) will result in the following change(s) of the approved activity plan:

No change